THE MINIMUM WAGE:
ITS RELATIONSHIP TO INCOMES AND POVERTY

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SUMMARY

After being increased numerous times during its nearly half century of existence, the federal minimum wage of $3.35 per hour has not been raised since January 1981. In the five years since then, prices have increased by about 26 percent, thereby reducing the purchasing power of the minimum wage. The minimum wage also has fallen relative to poverty thresholds, because these thresholds are adjusted for changes in prices. A person who worked year-round full-time in 1985 at the minimum wage rate of $3.35 per hour--and who had no other source of income--would have had a total income slightly less than the poverty line for a nonelderly two-person family; in 1981, this level of earnings would have been just below the poverty threshold for a family of three.

The relationship between the minimum wage and poverty is more complicated, though, because only a minority of minimum wage workers are employed year-round on full-time schedules. Moreover, whether a minimum wage worker is poor also depends on the amount of other income received by the worker and family members, and on the applicable poverty threshold for that family, which is determined by family size. The empirical analysis reported here attempts to sort out some of the linkages between low wages and family incomes. The major findings include:

- In March 1985, about 7 percent of all workers who reported being paid on an hourly basis were paid the minimum wage rate, and 3 percent were paid below that rate. 1/

- Only one-fifth of the 5.2 million workers who reported being paid at or below the minimum wage in March 1985 had worked year-round full-time in 1984, and only about 120,000 of these year-round full-time minimum wage workers were poor. The latter estimate is subject to a wide range of uncertainty, however.

- Four-fifths of all minimum wage workers are not poor, although those earning the minimum wage are much more likely to be poor than those whose wage rates are higher. Part of the explanation for why so many minimum wage workers are not poor is that over two-thirds of them are in families in which at least one other member has a job.

- Just one-quarter of all poor hourly wage workers are paid at or below the minimum rate, although poor workers are more likely to be paid the minimum than are nonpoor workers.

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1. Workers could legally be paid a wage rate below $3.35 per hour if they were not subject to the minimum wage rate or if they were subject to a special lower rate. Workers also might inaccurately report their wage rate.

THE MINIMUM WAGE: ITS RELATIONSHIP TO INCOMES AND POVERTY

The federal minimum wage provides a floor on the hourly wage rate that employers are allowed to pay most workers. First enacted as part of the Fair Labor Standards Act of 1938, this statute now requires a wage of at least $3.35 per hour for the almost 90 percent of nonsupervisory civilian workers to whom the act applies. Although the minimum wage has been increased numerous times since its enactment, it has remained unchanged since January 1981. Because prices have risen since that time, the purchasing power of the minimum wage has fallen.

Several proposals have been made in the Congress to change the minimum wage, including increasing it for all workers, reducing it for younger workers just getting started in the labor market, and eliminating it. These alternatives are based on differing views about the effects of the minimum wage at its current level. Some people believe it is too low to provide low-wage workers with an adequate standard of living, while others maintain that the present minimum wage limits employment opportunities--especially for young workers--by artificially raising wage costs to employers.

Although empirical analyses of the minimum wage have been inconclusive in determining its effects on employment, certain information is available. Raising the cost to employers of low-wage workers can reduce both the number of those workers hired and the number of hours they are employed. For example, studies reviewed by staff of the Minimum Wage Study Commission typically estimated that a 10 percent increase in the minimum wage rate would result in a reduction in teenage employment of between 1 percent and 3 percent. 1/ Raising the minimum wage was estimated to have a smaller effect on adult employment, although this effect is even less certain. While some adult workers would be likely to lose their jobs or have their hours of work reduced if the minimum wage were raised, others might have increased employment opportunities if employers chose to substitute adult workers for younger workers at the higher wage rate.

One issue relevant to any debate on the minimum wage is the relation between that wage and poverty. Proponents of increasing the minimum wage argue that it should be at least high enough to provide above-poverty earnings to workers with families to support. After providing a brief historical perspective on the current minimum wage, this study investigates

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1. See Report of the Minimum Wage Study Commission, Volume I, Chapter 2 (May 1981); and Charles Brown, Curtis Gilroy, and Andrew Kohen, "The Effect of the Minimum Wage on Employment and Unemployment," Journal of Economic Literature, 20:2 (June 1982), pp. 487-528.

empirical evidence about the relationship between low wage rates, income levels, and the incidence of poverty.

BACKGROUND INFORMATION ON THE MINIMUM WAGE

Historically, changes in the minimum wage provisions of the Fair Labor Standards Act have consisted primarily of increases in that wage rate and expansions in coverage. 2/ The minimum wage, which was originally set at $0.25 per hour in 1938, reached $1.00 per hour in 1956, $2.00 per hour in 1974, and the current level of $3.35 in 1981 (see Table 1).

Coverage originally was limited to workers directly engaged in interstate commerce, or in the production of goods for interstate commerce, but has been expanded considerably. In 1985, about 73 million nonsupervisory workers--or almost 90 percent of that workforce--were subject to the minimum wage. 3/ Major groups currently not subject to the minimum

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2. Coverage is important not only because of the minimum wage provisions, but because of the overtime provisions that often accompany them. Under typical overtime provisions, employers are required to pay workers at least one and one-half times the regular wage rate for work in excess of 40 hours in a workweek. This requirement applies not only to low-wage workers, but to all workers subject to the provisions of the act.

3. This figure includes workers covered by minimum wage laws who are not specifically exempted from its provisions. See Table 2.

TABLE 1. MINIMUM WAGE RATES UNDER THE FAIR LABOR STANDARDS ACT OF 1938, 1938-1985 (In dollars)

Effective Date	Minimum Wage
October 24, 1938	0.25
October 24, 1939	0.30
October 24, 1945	0.40
January 25, 1950	0.75
March 1, 1956	1.00
September 3, 1961	1.15
September 3, 1963	1.25
February 1, 1967	1.40
February 1, 1968	1.60
May 1, 1974	2.00
January 1, 1975	2.10
January 1, 1976	2.30
January 1, 1978	2.65
January 1, 1979	2.90
January 1, 1980	3.10
January 1, 1981	3.35

SOURCE: Social Security Administration, Social Security Bulletin, Annual Statistical Supplement, 1984-85, p. 68.

wage include executive, administrative, and professional personnel; employees in some small firms; and, of course, the self-employed. 4/

As a result of the limitations in, and exemptions from, coverage, the fraction of workers who are subject to the minimum wage varies considerably among sectors and industries in the economy (see Table 2). In the private sector, the fraction of nonsupervisory workers subject to the minimum wage averages about 86 percent overall, and ranges from about 40 percent in agriculture to nearly all of such workers in mining, construction, manufacturing, and transportation. All nonsupervisory workers in the public sector are subject to the minimum wage—in part, reflecting a 1985 Supreme Court ruling to include many employees of state and local governments in minimum wage laws. 5/

The remainder of this section analyzes the history and current status of the minimum wage by considering its relation to average prices and wages in the economy, and to federal poverty thresholds.

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4. See Report of the Minimum Wage Study Commission, Volume 4, for a detailed analysis of groups of workers specifically exempted from the minimum wage.

5. In Garcia v. San Antonio Metropolitan Transit Authority, the Supreme Court ruled that the Fair Labor Standards Act applies fully to state and local government workers.

TABLE 2. CIVILIAN WORKERS AND WORKERS SUBJECT TO THE MINIMUM WAGE, BY SECTOR AND INDUSTRY, SEPTEMBER 1985 (In thousands)

Sector and Industry	Civilian Wage and Salary Workers	Nonsupervisory Employees a/		
		Total	Subject to the Minimum Wage	Not Subject to the Minimum Wage
Total	102,590	83,564	73,046	10,518
Private Sector	85,963	73,539	63,021	10,518
Agriculture b/	1,655	1,570	604	966
Mining	971	842	838	4
Contract construction	5,021	4,517	4,495	22
Manufacturing	19,513	17,238	16,762	476
Transportation and public utilities	5,378	4,766	4,734	32
Wholesale trade	5,822	4,994	3,982	1,012
Retail trade	17,677	15,911	13,439	2,472
Finance, insurance, and real estate	5,994	5,127	3,887	1,240
Services c/	22,353	16,995	13,204	3,791
Private households	1,579	1,579	1,076	503
Public Sector	16,627	10,025	10,025	0
Federal government	2,868	2,330	2,330	0
State and local government c/	13,759	7,695	7,695 d/	0 d/

SOURCE: Congressional Budget Office using data from the Department of Labor, Employment Standards Administration, Division of Program Development and Research.

a. Civilian wage and salary workers excluding executive, administrative, and professional personnel (who are exempt from the Fair Labor Standards Act).

b. Estimates for agriculture are based on average employment for the 10-month active season.

c. Estimates for educational services relate to October 1985.

d. The number of state and local government workers subject to the minimum wage reflects the February 1985 Supreme Court decision in Garcia v. San Antonio Metropolitan Transit Authority.

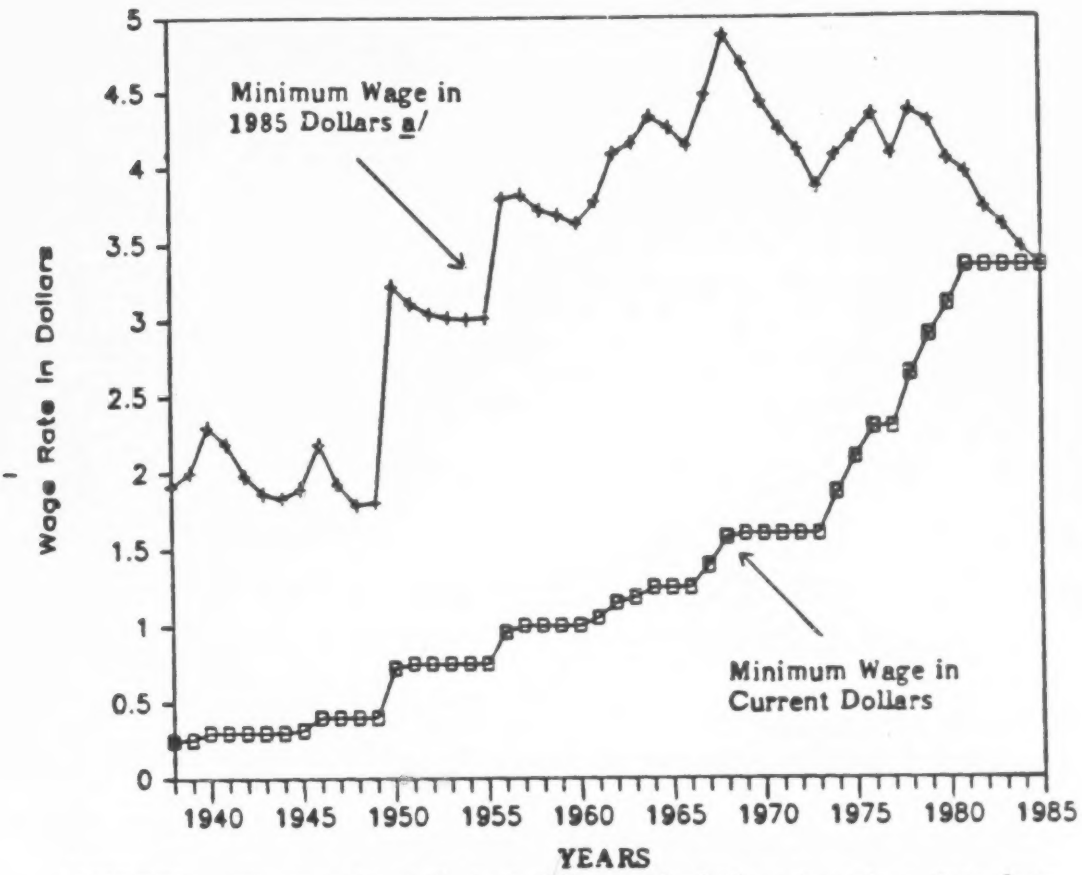
Prices, Wages, and the Minimum Wage

One perspective on the size of the minimum wage today can be obtained by analyzing the real purchasing power of that wage rate over time, and by examining its relation to average wages.

The purchasing power of the minimum wage--that is, its value after taking account of inflation, here measured with the Consumer Price Index--has fluctuated considerably over time, but today is less than at any time since the mid-1950s. Measured in 1985 dollars, the real value of the minimum wage was just under $2.00 per hour when the legislation was enacted in 1938 (see Figure 1). By 1968, the real value of that wage rate reached a high of nearly $5.00 per hour; by 1985, it had declined to $3.35. In the five-year period between January 1981--when the minimum wage was set at $3.35--and January 1986, average prices increased by about 26 percent. To have the same buying power it had at the start of 1981, the minimum wage in January 1986 would have had to have been about $4.22 per hour.

The minimum wage also has fallen in recent years as a share of average wages. After hovering around 50 percent of average hourly earnings in private nonagricultural industries during the 1950s and 1960s, the minimum wage averaged just over 45 percent in the 1970s (see Figure 2). By 1985, the minimum wage had declined to about 39 percent of average wages.

FIGURE 1. MINIMUM WAGE RATE IN CURRENT AND CONSTANT (1985) DOLLARS, 1938-1985

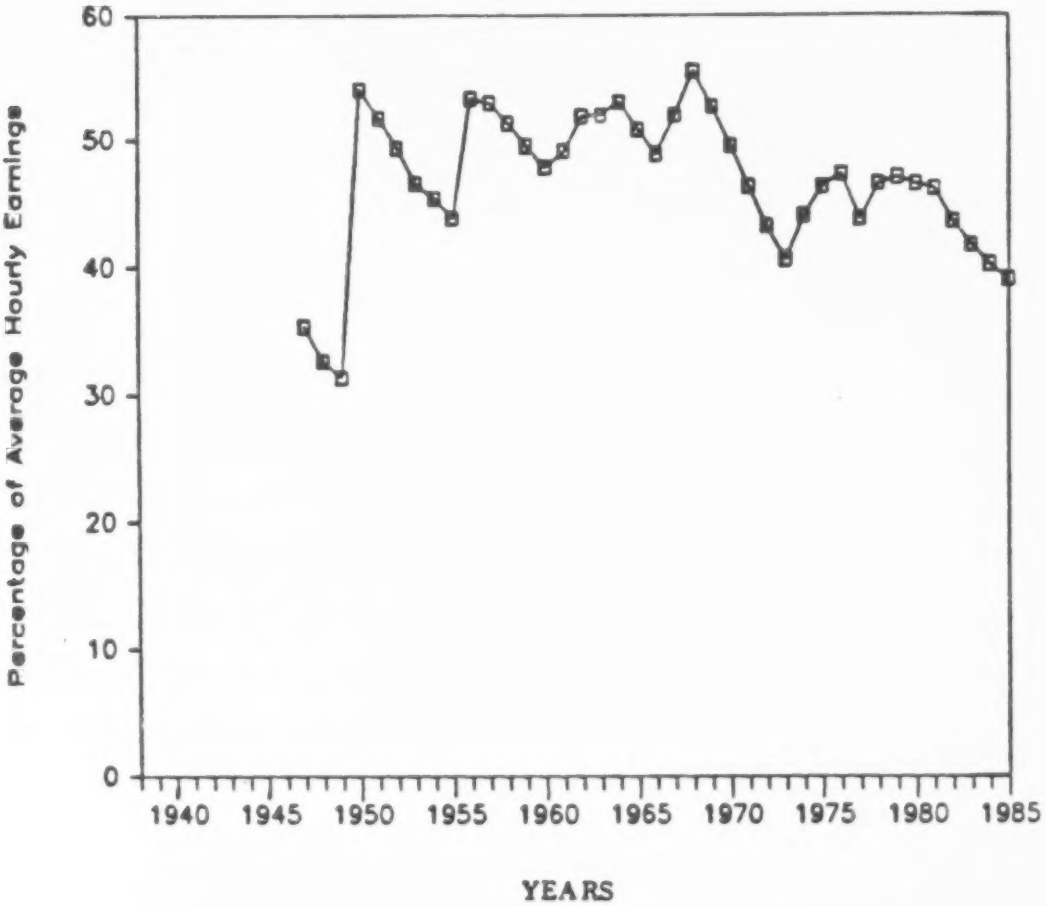


SOURCES: Congressional Budget Office calculations based on data from Social Security Administration, Social Security Bulletin, Annual Statistical Supplement, 1984-85, p. 68; Council of Economic Advisors, Economic Report of the President, February 1986, p. 315; and Department of Commerce, Bureau of the Census, Historical Statistics of the United States, Colonial Times to 1970, Part 1, p. 210.

NOTE: In years when the minimum wage changed, the wage in this figure represents the weighted average of the old and new rates.

a. The minimum wage in constant 1985 dollars is equal to that wage divided by the Consumer Price Index (CPI), where the CPI is adjusted to equal 1.00 in 1985. CPI data for 1938-1977 are for urban wage earners and clerical workers; beginning in 1978, CPI data are for all urban consumers.

FIGURE 2. MINIMUM WAGE AS A PERCENTAGE OF AVERAGE HOURLY EARNINGS, 1947-1985



SOURCES: Congressional Budget Office calculations based on data from Social Security Administration, Social Security Bulletin, Annual Statistical Supplement, 1984-85, p. 68; and Council of Economic Advisors, Economic Report of the President, February 1986, p. 300.

NOTE: Average hourly earnings used here are gross hourly earnings for workers in private nonagricultural industries, in current dollars. Data are not available for 1938-1946.

(Note, however, that comparisons with this broad wage series are less useful in the early years, when--as noted above--coverage was considerably more limited.)

Poverty Thresholds and Earnings at the Minimum Wage

Another perspective on the size of the minimum wage comes from comparing the earnings of a minimum wage worker with the federal poverty thresholds. These thresholds--first estimated in the early 1960s, and updated annually to account for inflation--reflect the consumption requirements of families based on their size and composition. In 1985, poverty thresholds ranged from $5,160 for a single elderly person to an average of $22,010 for families with nine or more members (see Table 3). 6/

During most of the 1960s and 1970s, a person working full-time year-round at the minimum wage would have received an income roughly equal to the poverty threshold for a three-person family, as shown in Figure 3. Full-time year-round earnings at the minimum wage have declined relative to poverty thresholds since then, however, because these thresholds are ad-

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6. For families of two or more people, reported poverty thresholds are actually weighted averages of different thresholds for families of the same size but with different numbers of children. For a description of the methods used by the Census Bureau to calculate poverty thresholds and of several alternatives, see Congressional Budget Office, Reducing Poverty Among Children (May 1985), Appendix A.

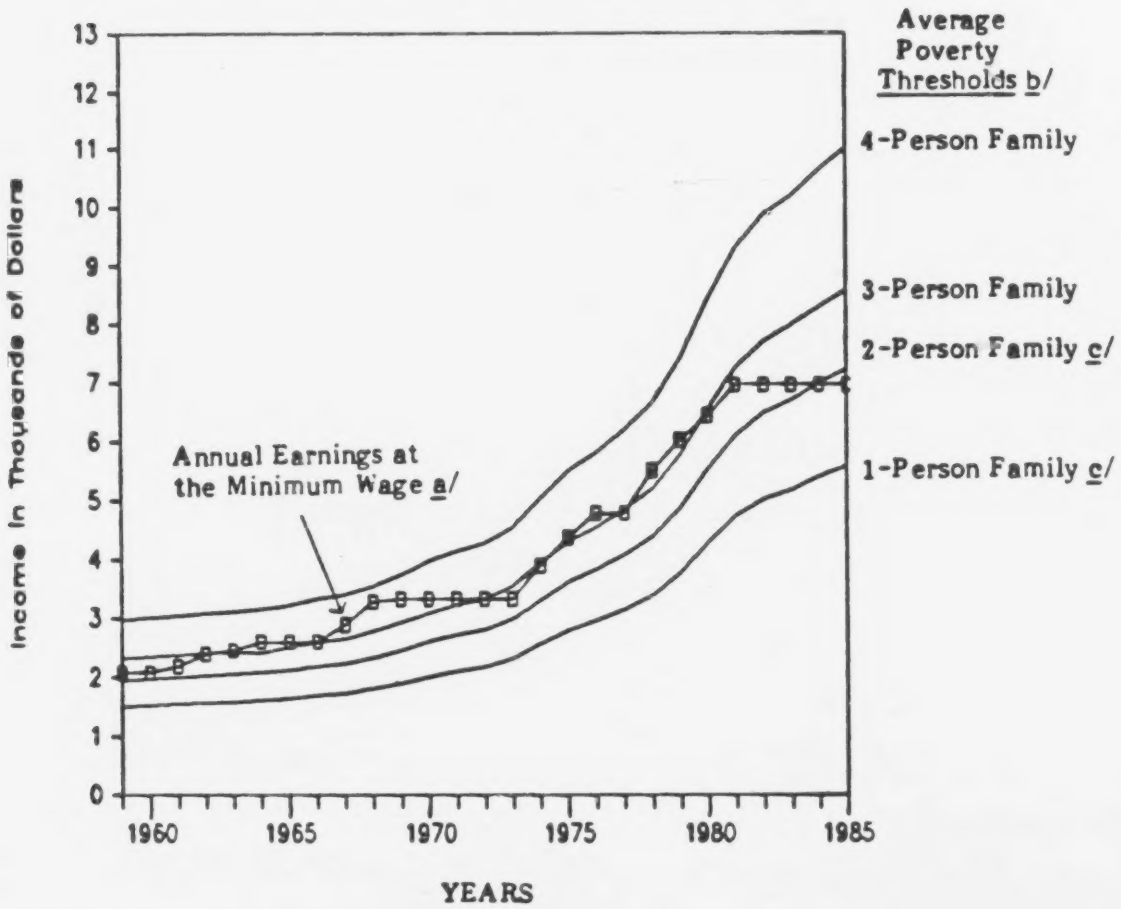
TABLE 3. POVERTY THRESHOLDS FOR FAMILIES, BY FAMILY SIZE, 1985 (In dollars)

Size of Family	1985 Poverty Threshold a/
One Person	
Age 15-64	5,590
Age 65 and over	5,160
Two People	
Householder age 15-64	7,230
Householder age 65 and over	6,510
Three People	8,570
Four People	10,990
Five People	13,010
Six People	14,710
Seven People	16,670
Eight People	18,600
Nine People or More	22,010

SOURCE: Department of Commerce, Bureau of the Census (unpublished data).

a. For families of two or more people, reported poverty thresholds are actually weighted averages of different thresholds for families of the same size but with different numbers of children.

FIGURE 3. POVERTY THRESHOLDS AND ANNUAL EARNINGS AT THE MINIMUM WAGE, 1959-1985



SOURCES: Congressional Budget Office calculations based on data from Social Security Administration, Social Security Bulletin, Annual Statistical Supplement, 1984-85, pp. 68, 70; and Department of Commerce, Bureau of the Census, unpublished data.

a. Annual earnings are for a worker employed 40 hours per week for 52 weeks per year.

b. For families of two or more people, reported poverty thresholds are actually weighted averages of different thresholds for families of the same size but with different numbers of children.

c. One- and two-person poverty thresholds used here are those for the nonelderly.

justed to account for changes in prices, while the minimum wage has not increased since 1981.

A person working 40 hours per week for 52 weeks at the minimum wage would have earned about $7,000 in 1985. This income level was well above the poverty threshold for individuals living alone, about equal to the thresholds for two-person families, but well below the thresholds for families of three or more people.

THE MINIMUM WAGE AND FAMILY INCOMES

In March 1985, over 5 million workers were paid at or below the minimum wage. 7/ This section uses data from the March 1985 Current Population Survey (CPS) to examine the total incomes of these workers, and particularly the extent to which they were poor--that is, in families with total cash incomes below federal poverty thresholds. This relationship between a worker's wage rate and his or her poverty status depends on a number of factors, including the number of hours worked per year, the amount of other income received by the worker and other family members, and the applicable poverty threshold for the worker's family.

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7. Workers could legally be paid a wage rate below $3.35 per hour if they were not subject to the minimum wage rate or if they were subject to a special lower rate. Workers also might inaccurately report their wage rate.

This analysis is complicated by limitations of the data on wage rates and incomes. The most important constraint is that the information on poverty pertains to incomes during 1984, while data on wage rates refer to hourly wages paid in March 1985. 8/ Insufficient information is collected about the total number of hours worked in 1984 by employed people to provide a good estimate of their hourly wage rate during that year. Only in the case of workers who were employed year-round full-time is it possible to estimate hourly wage rates; even then, the estimate is imprecise, because the exact number of hours worked each week is not known. Because of these limitations, the relation between hourly wages and poverty can only be approximated, either by linking March 1985 wage rates with 1984 poverty status, or by relating an estimate of the worker's hourly wage rate in 1984 with his or her poverty status in that year. In the following two sections, each of these methods is applied. In the final section, the implications of this analysis for increases in the minimum wage are examined.

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8. Responses to the questions about hourly wages, combined with the regular information collected monthly about members of households in the CPS sample, provide the basis for tabulations published by the Bureau of Labor Statistics on hourly wage rates of wage and salary workers by selected characteristics. The hourly wage rates reported do not include tips, premium pay for overtime, bonuses, or commissions. See Earl F. Mellor and Steven E. Haugen, "Hourly Paid Workers: Who They Are and What They Earn," Monthly Labor Review, vol. 109, no. 2 (February 1986), pp. 20-26.

Minimum Wage Workers and Poverty

As shown in Table 4, 10 percent of all workers who were paid by the hour reported being paid at or below the minimum wage in March 1985.[9/] Roughly 7 percent (about 3.7 million workers) reported being paid exactly $3.35 per hour, and 3 percent (about 1.5 million workers) reported being paid less than this amount.

Most of these workers paid at or below the minimum wage were not poor in the previous year. Among those paid exactly $3.35 in March 1985, 18.5 percent (680,000) were in families whose incomes in 1984 were below their poverty thresholds; 11.6 percent had incomes between the poverty line and 150 percent of the poverty line; and the remaining 69.8 percent had incomes well above the poverty line. The distribution of income was similar among workers paid below the minimum wage.

Even so, the likelihood of being poor was higher for workers with low wage rates. Among the 5.2 million workers who reported being paid at or below the minimum wage in March 1985, about 1 million (19.2 percent) were in families who were poor in 1984. Among the 9.6 million workers paid

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9. Data on hourly wage rates are available only for the 52.1 million workers paid on an hourly basis. In March 1985, a total of 105.8 million people were employed, including 96.2 million wage and salary workers.

TABLE 4. WORKERS PAID HOURLY RATES, BY FAMILY INCOME, MARCH 1985

Characteristic	Total	Wage Rate Paid in March 1985			
		Below $3.35	Exactly $3.35	$3.36-$4.35	Over $4.35
	Number of Workers (In thousands)				
Total	52,110	1,510	3,690	9,610	37,300
Family Income in 1984					
Below poverty	3,890	310	680	1,340	1,560
100-149 percent of poverty line	4,250	210	430	1,130	2,490
150 percent or more of poverty line	43,970	990	2,580	7,150	33,250
	Percent Distribution Within Each Wage Group a/				
Total	100.0	100.0	100.0	100.0	100.0
Family Income in 1984					
Below poverty	7.5	20.8	18.5	13.9	4.2
100-149 percent of poverty line	8.2	13.7	11.6	11.7	6.7
150 percent or more of poverty line	84.4	65.6	69.8	74.4	89.2
	Percent Distribution Within Each Income Group a/				
Total	100.0	2.9	7.1	18.4	71.6
Family Income in 1984					
Below poverty	100.0	8.1	17.6	34.3	40.0
100-149 percent of poverty line	100.0	4.9	10.1	26.5	58.6
150 percent or more of poverty line	100.0	2.3	5.9	16.3	75.6

SOURCE: Congressional Budget Office tabulations of data from the March 1985 Current Population Survey.

a. Percentages were calculated based on estimates prior to rounding.

between $3.36 and $4.35 an hour, 1.3 million (13.9 percent) were poor. The poverty rate among the 37.3 million higher-paid workers was lower yet (4.2 percent).

Examination of some of the characteristics of workers paid at or below the minimum wage--henceforth termed "minimum wage workers"--and the activities of their families in March 1985 suggests several reasons why being a minimum wage worker and being poor are not synonymous. About 70 percent (3.6 million) of the 5.2 million minimum wage workers were in families in which at least one other member of their families held a job in that month (see Table 5). Even though 70 percent of the minimum wage employees only worked part-time in March, most minimum wage workers lived in families in which there were other workers. Teenagers held almost one-third of all jobs paying at or below the minimum wage in March 1985.

Minimum wage workers in general are employed fewer hours and more intermittently than are other workers, but are just as likely to be in families in which other members worked during the year (see Table 6). Looking at the employment experience in the previous year of workers employed at or below the minimum wage in March 1985, only 18 percent (940,000) reported working year-round full-time, compared with 59 percent of the workers with wage rates above the minimum. Likewise, over 10 percent of the minimum

TABLE 5. SELECTED CHARACTERISTICS OF POOR AND NONPOOR WORKERS PAID HOURLY RATES, MARCH 1985

Characteristics	Number of Workers Paid Hourly Rates (In thousands)					Poverty Rate (In percents) a/		
		Paid At or Below $3.35		Paid Over $3.35			Paid At or Below	Paid Over
	Total	Poor	Total	Poor	Total	Total	$3.35	$3.35
Total	52,110	1,000	5,200	2,890	46,910	7.5	19.2	6.2
Age/Sex								
Teenager	4,970	210	1,670	310	3,300	10.4	12.5	9.3
Adult male	24,080	300	1,340	1,260	22,740	6.5	22.0	5.5
Adult female	23,060	490	2,190	1,320	20,860	7.9	22.5	6.3
Employment Status in March 1985 b/								
Full-time	37,420	360	1,610	1,920	35,810	6.1	22.4	5.4
Part-time	14,610	630	3,590	940	11,020	10.8	17.7	8.6
Other Workers in Family in March 1985								
None	18,350	700	1,590	2,040	16,760	14.9	44.3	12.2
One or more	33,760	300	3,620	850	30,140	3.4	8.2	2.8

SOURCE: Congressional Budget Office tabulations of data from the March 1985 Current Population Survey.

a. Percentages are calculated based on estimates prior to rounding.
b. Information about the number of hours worked in March 1985 was not provided for about 70,000 workers.

TABLE 6. WORK EXPERIENCE, PRESENCE OF OTHER WORKERS IN FAMILY, AND POVERTY THRESHOLDS OF POOR AND NONPOOR WORKERS PAID HOURLY RATES, MARCH 1985

Characteristics	Number of Workers Paid Hourly Rates (In thousands)					Poverty Rate (In percents) a/		
		Paid At or Below $3.35		Paid Over $3.35			Paid At or Below	Paid Over
	Total	Poor	Total	Poor	Total	Total	$3.35	$3.35
Total	52,110	1,000	5,200	2,890	46,910	7.5	19.2	6.2
Work Experience in 1984								
Year-round full-time	28,760	120	940	740	27,830	3.0	12.7	2.7
Year-round part-time	5,310	150	800	260	4,510	7.7	18.6	5.7
Part-year full-time	9,300	250	930	970	8,360	13.2	27.1	11.6
Part-year part-time	7,220	320	1,990	670	5,230	13.8	16.3	12.8
No employment	1,510	150	540	250	970	26.7	28.2	25.9
No Other Workers in Family in 1984	16,190	710	1,600	2,000	14,590	16.8	44.5	13.7
Poverty threshold $10,500 or more	2,720	200	330	650	2,400	31.3	61.7	27.2
Other Workers in Family in 1984	35,910	280	3,600	890	32,310	3.3	7.9	2.7
Poverty threshold $10,500 or more	18,180	150	2,120	650	16,060	4.4	7.0	4.1

SOURCE: Congressional Budget Office tabulations of data from the March 1985 Current Population Survey.

a. Percentages are calculated based on estimates prior to rounding.

wage workers in March 1985 did not work for pay in 1984, compared with only 2 percent of the other hourly wage workers.

Among the 1 million minimum wage workers who were poor in 1984, only 12 percent worked year-round full-time in that year; 73 percent worked part-year, part-time, or both; and the other 15 percent did not report any paid employment. Thus, even though the poverty rate among year-round full-time workers employed at or below the minimum wage was almost 13 percent, there were only 120,000 poor workers in this situation.

The likelihood of a minimum wage worker's being poor in 1984 also was closely linked to whether other family members worked then. As shown in Table 6, minimum wage workers who were the only workers in their families had a poverty rate of 44.5 percent, compared with 7.9 percent for those with other employed family members. This comparison was more dramatic for those in families of four or more people (who have poverty thresholds of $10,500 or more)--61.7 percent versus 7.0 percent.

Low Annual Earnings and Poverty

Examination of the poverty status of full-time workers with low annual earnings provides further information about the relationship between low wages and poverty, and confirms the critical roles of family size and the presence of other workers in the family in determining whether a low-wage

worker will be poor. In this analysis, workers who reported being employed year-round full-time in 1984 and earning less than $7,000 are counted as low-wage workers. This amount would correspond to the earnings of someone who worked all year, 40 hours each week, and was paid the minimum wage.

The Bureau of Census reported that in 1984 there were 70.4 million people who worked at least 50 weeks primarily on a full-time schedule (that is, 35 hours or more per week). Nearly 2.1 million of these year-round full-time workers were poor. 10/ Detailed examination of these data revealed, however, that 8 million of these people, including more than 800,000 poor workers, reported that their primary activity was self-employment, or that they had worked without pay. The incomes of these workers would not be directly affected by a change in the minimum wage. Another 2.8 million full-time employees, including almost 200,000 of the poor workers, worked on part-time schedules during at least 6 weeks in 1984. 11/

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10. Department of Commerce, Bureau of the Census, Current Population Report, Consumer Income Series P-60, no. 149 (August 1985), p. 27.

11. About 70,000 poor employees who worked primarily full-time year-round worked part-time between 6 and 10 weeks, and 120,000 worked part-time at least 11 weeks in 1984. For workers who worked less than a full year on a full-time basis, it is difficult to distinguish between low annual earnings associated with low hourly wage rates and low total hours. Therefore, these workers were excluded from this analysis.

Among the 59.6 million remaining workers in 1984 who reported that they primarily worked for others and that they worked year-round and mostly full-time, 1.1 million had total family incomes below the poverty line (see Table 7). This number is much smaller than the 2.1 million poor workers cited above and indicates a poverty rate of 1.8 percent among these full-time year-round workers.

Half of the poor year-round full-time workers (550,000) reported earning less than $7,000 in 1984. These workers were probably earning average hourly wages of no more than the minimum wage rate. 12/ Among workers earning less than $7,000, the poverty rate was 24.3 percent, compared with 0.9 percent for workers with higher earnings.

The likelihood of being poor also depended heavily on the number of other members of the worker's family who were employed and on the level of the family's poverty threshold. For example, among the 820,000 low-wage workers who had no other workers in their families, almost half were

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12. In order to be included in the group, workers must have reported working at least 50 weeks, including no more than five weeks on part-time schedules. Most of them (84 percent) reported that they did not work any weeks on a part-time schedule. Those who worked all 52 weeks for 40 hours per week at the minimum wage would have earned $6,968.

    The difference between the previous estimate of 120,000 poor year-round full-time workers who reported hourly wage rates of no more than $3.35 and these numbers could result from errors in responses, changes in wage rates, or low earnings among workers who were not paid on an hourly basis.

TABLE 7. SELECTED CHARACTERISTICS OF POOR AND NONPOOR YEAR-ROUND FULL-TIME WORKERS, 1984

Characteristics	Number of Year-Round Paid Employees Who Worked on Full-Time Schedules (In thousands) a/					Poverty Rate (In percents) b/		
		Paid Less than $7,000		Paid At Least $7,000				
	Total	Poor	Total	Poor	Total	Total	Paid Less Than $7,000	Paid At Least $7,000
Total	59,620	550	2,240	510	57,380	1.8	24.3	0.9
No Other Workers in Family								
Total	20,680	400	820	350	19,860	3.6	48.7	1.8
Poverty threshold less than $7,000	13,700	230	570	0	13,140	1.7	39.7	0.0
Poverty threshold $7,000 - $8,499	3,520	90	140	70	3,380	4.4	63.8	2.0
Poverty threshold $10,500 or more c/	3,460	90	110	280	3,350	10.5	75.4	8.3
Other Workers in Family								
Total	38,940	150	1,420	160	37,510	0.8	10.3	0.4
Poverty threshold less than $7,000	10,650	30	360	0	10,290	0.3	7.9	0.0
Poverty threshold $7,000 - $8,499	10,690	30	350	10	10,340	0.3	8.0	0.1
Poverty threshold $10,500 or more c/	17,390	90	710	150	16,880	1.4	12.7	0.9

SOURCE: Congressional Budget Office tabulations of data from the March 1985 Current Population Survey.

a. Workers recorded as having been employed for pay (other than self-employed) at least 50 weeks in 1984, with not more than five of these weeks on a part-time schedule.

b. Percentages are calculated based on estimates prior to rounding.

c. There were no poverty thresholds between $8,500 and $10,500. The average poverty threshold for a four-person family in 1984 was $10,609.

poor, whereas only one-tenth of the low-wage workers in families with other workers were poor. In each group, the poverty rate was highest among workers in families with poverty thresholds of at least $10,500. Among the higher-paid workers, too, the highest incidence of poverty was among those in families with these poverty thresholds.

Implications for Increasing the Minimum Wage

Moderate increases in the minimum wage would increase the earnings of both poor and nonpoor workers whose hourly wage rates otherwise would be at or just above $3.35. In March 1985, 3.7 million workers reported being paid exactly $3.35, and an additional 9.6 million workers reported being paid between $3.36 and $4.35 per hour. The number of workers who would receive additional income, and the size of their income gain, would depend in part on the size of the increase in the minimum wage and on the number of hours that they worked. The effect of this increase on the number of poor workers, and on their incomes, would probably be small, though, because most minimum wage workers are not poor and because few poor minimum wage workers are employed on full-time schedules or are employed year-round.

Some workers might earn less, however, if their employers responded to an increase in the minimum wage by cutting back employment or hours. Thus, while some workers would gain income by an increase in the minimum wage, others could lose. An increase in the minimum wage would be likely to reduce job opportunities for some teenagers, although the magnitude and incidence of the losses are difficult to predict. The effect on job opportunities for adults is less clear--some adults could lose jobs because it would cost more to employ them, while other adults might gain jobs if employers chose to substitute them for teenagers at the higher wage rate.